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Financial reports and audited financial statements and reports of the Board of Auditors

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2004

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report (in advance form) of the Board of Auditors on the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2004.[1] The Committee has also considered an advance copy of the Board's report on the implementation of its recommendations relating to the biennium 2002-2003; the latter covers 15 entities audited by the Board.

2. The Board's report on the capital master plan for the biennium ended 31 December 2004 (A/60/5 (Vol. V)) will be considered by the Advisory Committee when it takes up the report of the Secretary-General on the capital master plan a few weeks after the date of the present report.

3. During its consideration of the reports, the Advisory Committee met with the members of the Audit Operations Committee, who provided additional information and clarification.

II. Financial and management audit of the Office of the United Nations High Commissioner for Refugees

4. The Board of Auditors audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the period from 1 January to 31 December 2004. Audit activities were undertaken at

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UNHCR headquarters in Geneva and its offices in Angola, Eritrea, Ethiopia, Namibia, the Russian Federation and the United States of America (New York) for the same period. The main findings of the Board are listed in the summary of its report.[1]

5. The Board noted that the financial situation at UNHCR remains of concern with an increase of expenditures to $1,065 million and available resources of $1,007 million, resulting in a shortfall of $58 million. The Advisory Committee notes that the deficit of UNHCR increased slightly: for 2002 expenditures amounted to $908 million, with a deficit of $50 million. The Committee also notes the observation of the Board that the UNHCR reserve and fund balance of $142.4 million has not changed significantly since 2002, taking into account inflation and currency fluctuations.

6. The Advisory Committee was informed by the Board that a fluctuating financial situation was "in the nature" of the history of UNHCR and that it is difficult to develop a financial plan for disaster situations. It was explained to the Committee that UNHCR has not yet developed an efficient fund-raising network comparable to that of the United Nations Children's Fund (UNICEF), and this might be a reason for continued deficits. **While mindful of the difficulties faced by UNHCR, the Committee points out that certain analytical methods, including regression analysis, may be helpful in forecasting future financial needs since UNHCR has extensive historical data available. The Committee expects the Board to address the underlying causes of the deficit during its follow-up review and to develop concrete management audit recommendations to assist UNHCR in gradually reducing its deficit without negatively affecting its operations.**

7. With regard to the funding of end-of-service and post-retirement benefit liabilities, the Board concluded in its report that unfunded liabilities for after-service health insurance, accrued annual leave and termination benefits amounted to $336 million in 2004, having increased from $290 million in 2003 and from $263 million in 2002.[2] **The Advisory Committee reiterates its concern in this respect and further addresses this issue in paragraph 23 below.**

8. The Board notes that UNHCR has not fully implemented the Board's recommendation to completely phase out the use of project staff. A total of 1,099 project staff were employed as at 31 December 2001, beyond the UNHCR staffing table of 5,505 posts.[3] The Advisory Committee noted in its previous report on the Board's audit of UNHCR (A/58/384, para. 10) that as at 5 September 2003 the number of project staff had been reduced by 87 per cent, to a total of 145 staff in this category. The Committee commends UNHCR for its significant results in this respect and supports the Board in urging UNHCR to continue its efforts. However, given the importance of this matter, as well as the length of time and managerial commitment by UNHCR required to obtain tangible results, the Committee notes that the Board's report did not include the actual number of project staff as at 31 December 2004. Upon subsequent enquiry, the Committee was informed that the matter would be followed up by the Board during its upcoming audit, at which time an updated number would be available.

9. With regard to UNHCR "staff in between assignments", the Advisory Committee notes that the Board had made specific recommendations in its previous report[4] concerning the practice of retaining staff members who were without

assignment after the expiration of their standard assignment, on special leave with full pay. In that report, the Board had indicated that at the end of December 2002, such staff totalled 113 Professional and 16 General Service. A minority of such staff were not tasked with any assignments, some of them for an extended period of time, for example, as at 1 October 2002, 3 D-1 and 1 P-5 staff members had not worked at all for UNHCR for 15, 30, 43 and 44 months, respectively, while being on special leave with full pay for the entire period. The Committee had requested UNHCR to take urgent action to comply with the recommendations of the Board.[5] Upon enquiry, the Board informed the Committee that follow-up in this respect would be forthcoming. **The Committee looks forward to an update on the situation of staff in between assignments in the Board's follow-up report**.

10. The Board notes the progress made by UNHCR with regard to efforts made in the development of the use of results-based management modalities, with the caveat that further fine-tuning would be required at headquarters and in the evaluation function.[6] **The Advisory Committee shares the Board's view and expects that UNHCR will prepare its budget for 2007 and the biennium 2008-2009 using results-based budgeting guidelines. The Committee trusts that the Board will include a follow-up of the matter in its forthcoming report**.

11. With regard to UNHCR procurement activities, the Board notes that some field offices did not develop procurement plans, vendor rosters and purchase order logs. Also, competitive bidding was not always used.[7] During the deliberations, the Advisory Committee was informed by the Board that competitive bidding was not always used because goods and services had to be obtained at short notice during crisis situations. The Committee notes that this in itself does not necessarily constitute a violation of the Organization's financial regulations and rules. In this respect, financial rule 105.16[8] specifies situations where competitive bidding may not be in the best interest of the Organization, including exigency situations. **The Committee looks forward to further details on this matter in the Board's follow-up report on UNHCR**.

12. With regard to the status of implementation of recommendations, the Board concluded that, as at 31 December 2003, 14 recommendations (32 per cent) were considered implemented and 27 (63 per cent) were under implementation, while 2 (5 per cent) were not implemented.[9] The Advisory Committee notes that the largest number of recommendations under implementation, a total of 14, were in the category of information and communication technology. The Board informed the Committee that implementing changes in information technology and communication is often a long-term process. **Even so, the Committee would welcome an indication of projected time frames reported by management for implementation**. The Committee also notes that the table on the status of implementation for the period ended 31 December 2003[9] does not reconcile actual recommendations made by the Board — or more specifically, the exact number of benchmark recommendations — with those listed in the three implementation categories referred to above. In this respect, the Committee would welcome the inclusion of additional data and analysis, namely: (a) the total number of recommendations made by the Board; (b) the number of recommendations accepted (and not accepted) by the audit client; (c) the number of recommendations deemed unimplementable, with a brief explanation of the reasons; and (d) a chronological tracking, or ageing, table which would indicate clear implementation time frames. The Committee notes that the report of the Board of Auditors on the implementation

of its recommendations relating to the biennium 2002-2003[10] (see section III below) by other United Nations entities shows two additional categories not included with the table on the implementation of recommendations by UNHCR: the number of recommendations made by the Board and the number of recommendations overtaken by events. The Committee looks forward to a streamlining of recommendation status categories in future reports.

III. Financial and management audit of United Nations entities and related implementation of recommendations

13. The report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2002-2003[10] covers 15 United Nations entities on which the Board reports on a biennial basis.[11] With regard to the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the United Nations Joint Staff Pension Fund, the Advisory Committee will consider the Board's findings in conjunction with the three entities' budget proposals during the sixtieth session of the General Assembly.

General comments

14. **The Advisory Committee commends the Board of Auditors for consolidating into one comprehensive report its three separate reports on the implementation of recommendations: two reports of the Secretary-General regarding the United Nations Secretariat, funds and programmes and one report of the Board, following the Committee's recommendation and the resolution subsequently adopted by the General Assembly (resolution 58/249A).**

15. **The Advisory Committee believes that further improvements can be made, in particular with a view to the overall format. As noted in paragraph 12 above, the Committee believes that categories regarding the status of recommendations should be expanded to provide more transparency to all users, including the Administrations of the audited entities. Furthermore, the wide range of work done by the Board could be better reflected in a more reader-friendly report structure, including cross-referencing; with a view to the treatment of cross-cutting issues, thought could also be given to grouping recommendations by topic**. The Committee notes that, to date, only two Administrations (UNHCR and UNICEF) issue official reports responding to external audit findings. In this respect, the Committee notes that the report issued by UNICEF (E/ICEF/2005/AB/L.6) specifies the officer responsible for implementation. **The Committee commends this approach and would welcome a similar approach by the Board, i.e., a specific departmental assignment of responsibility for implementation instead of general organizational responsibility. The Committee believes that the General Assembly may wish to encourage other audited entities to provide the same type of formal feedback but that such reports by various Administrations should be consolidated with the report of the Board, consistent with the consolidation of the implementation reports of the Secretary-General referred to above.**

16. **What is needed is one comprehensive report on implementation. The focal point for the preparation of such a report should be the Board, which should**

integrate the information supplied by the Administrations with its own comments and views.

17. **It should be recalled that while the Board has an interest in ensuring the implementation of its recommendations, primary responsibility for implementation rests with the Administrations of the audited entities. Where the Board has felt the need to reiterate a recommendation, the full background (including reasons for delays) should be given and a time frame for implementation should be specified.**

18. **There should also be a systematic analysis of the impact of the Board's recommendations, as implemented, on the audited entities concerned.**

19. **Findings made by the Board of Auditors are most useful during the Advisory Committee's consideration of budget presentations by various United Nations entities. Therefore, the Committee requests that the Board endeavour to submit its report on the implementation of recommendations early in the second quarter of a calendar year, particularly during odd-numbered years, when the Committee discusses the regular budget for the following biennium during its May-to-July session.**

20. The Advisory Committee notes that the number of recommendations formulated by the Board has more than doubled, from 208 (1998-1999 biennium) to 335 (2000-2001) to 509 (2002-2003). Of the 509 recommendations made by the Board, 235 (46 per cent) had been fully implemented by 31 May 2005, while 230 (45 per cent) were under implementation and 44 (9 per cent) had not been implemented at all. The Committee notes that, along with an overall increase in the number of recommendations, the implementation rate also increased from 34 per cent (2000-2001) to 46 per cent (2002-2003). Meanwhile, the percentage of recommendations remaining to be fully implemented decreased from 58 per cent (2000-2001) to 45 per cent (2002-2003). The Board noted in its report that the increase in the number of recommendations was partially attributable to the fact that individual recommendations were issued in lieu of multi-component recommendations.[12] **The Committee points out, however, that statistics alone do not give the full picture; non-compliance with procedures, rules and regulations continues to be a serious problem. The Committee trusts that more light will be shed on this problem with the use of impact analysis, as requested in paragraph 18 above.**

Cross-cutting issues

21. The Advisory Committee also identified a number of cross-cutting issues addressed in the report of the Board of Auditors; some of these issues are discussed below.

22. With regard to hiring, remunerating and evaluating the performance of consultants and individual contractors, the Board of Auditors reiterated its observation that some departments and entities (Department for General Assembly and Conference Management, Department of Political Affairs and Economic Commission for Latin America and the Caribbean) do not adhere to administrative instructions.[13] **The Advisory Committee agrees that the recommendation regarding the need to fully report and adhere to established procedures should be implemented without any further delay.** The Board recommended, and the

United Nations Population Fund (UNFPA) agreed, that contracts for consultants should be finalized prior to the commencement of employment.[14] **The Committee points out that the delayed signing of contracts is also an issue with other entities, such as the United Nations Environment Programme.[15] The Committee agrees with the Board that all funds and programmes should ensure that contracts are signed in a timely manner. The Committee trusts that the Board will follow up on the matter**. With regard to consultants specializing in training, the United Nations System Staff College clarified, in response to a recommendation by the Board, that it had established a consultant database (available at www.unssc.org/cr) for system-wide use.[16] The Committee notes that the main page of the website indicates that, as at 20 September 2005, 585 consultants and a total of 38 agencies were registered. The Staff College indicated in its response to the Board that United Nations Headquarters seemed not to be aware of the database. **The Committee points out that, since the Staff College has developed the database, it would be the College's responsibility to inform potential users of its existence, in particular in view of the fact that the database requires user registration and permission**.

23. With regard to end-of-service and post-retirement benefit liabilities, the Board notes that a number of entities audited (e.g., United Nations Conference on Trade and Development/World Trade Organization, United Nations University, United Nations Development Programme (UNDP), United Nations Relief and Works Agency for Palestine Refugees in the Near East, United Nations Institute for Training and Research (UNITAR) and UNFPA) were found lacking. The Advisory Committee was informed that the entities were awaiting the issuance of a report on after-service health insurance benefits during the sixtieth session of the General Assembly, to be used as policy guidance.

24. **The Advisory Committee notes that the Board has made a specific recommendation to the Economic Commission for Africa with respect to the need to implement a code of ethics and the signing of "declarations of independence" by all staff members involved in procurement.[17] In this respect, the Committee points out that this matter has been of great system-wide concern for a number of years. The Committee has requested during a number of meetings with the Procurement Division, the Office of Legal Affairs and the Office of Human Resources Management, all of which collaborate regarding the creation of such documents, that a code of ethics be prepared without delay. The Committee notes that, despite a promise to promulgate such a document by the end of the third quarter of 2005, it still has not been finalized. The Committee remains concerned about the absence of a formal code of ethics and looks forward to the follow-up report of the Board in this respect**.

25. The Board makes a number of recommendations regarding ongoing problems with the UNDP Atlas system. Since Atlas is used by a number of entities (e.g., UNFPA and United Nations Office for Project Services (UNOPS)) for administrative and financial matters managed by UNDP, this has caused operational delays. The Advisory Committee agrees with the Board that UNDP needs to expeditiously intensify its efforts in addressing such problems.

26. The Board's findings indicate that a number of entities do not have adequate fraud detection and prevention measures in place, e.g., UNITAR, UNPFA and UNOPS. **The Committee agrees with the Board on the importance of this matter**

and anticipates an update on the progress made regarding fraud-related matters in the Board's follow-up report.

Other

27. The Board pointed out that UNICEF deviated in several instances from United Nations instructions regarding staff entitlements and confirmed its recommendation that UNICEF comply with staff rule 112.2.[18] UNICEF responded that it believed that its application and administration of staff entitlements were within the broad framework of the Staff Regulations and Rules, taking into account the operational flexibility required to meet the overall goals and objectives of the Organization. **The Advisory Committee agrees with the Board that UNICEF is required to adhere to the Organization's regulations and rules. During the deliberations, the Committee was informed by the Board that UNICEF believed that its unique operational flexibility would entitle it to a similar flexibility when it came to adhering to regulations and rules. The Committee expects UNICEF, like other United Nations funds and programmes, to fully comply with United Nations regulations and rules and will discuss the matter with UNICEF during the sixtieth session of the General Assembly. The Committee anticipates a follow-up report on this issue by the Board.**

28. The Board of Auditors found that UNITAR funding sources for the General Fund remain fragile and dependent on donor interest and recommended that UNITAR find a way to build up its General Fund.[19] The Advisory Committee points out that, as noted by the Board, the financial situation of the UNITAR General Fund improved significantly in 2004, with income exceeding expenditure by over $400,000, as compared with a shortfall of $130,000 in income relative to expenditure at the end of the previous biennium. The Committee is encouraged by the improvement of the UNITAR financial situation and encourages the Board to develop concrete management audit recommendations with specific suggestions to aid its audit client to undertake a gradual build-up of its General Fund. The Committee will be issuing a separate report on the financial situation of UNITAR during the sixtieth session of the General Assembly.

Notes

[1] *Official Records of the General Assembly, Sixtieth Session, Supplement No. 5E* (A/60/5/Add.5).

[2] Ibid., chap. I, para. 26.

[3] Ibid., chap. II, paras. 123-129.

[4] *Official Records of the General Assembly, Fifty-eighth Session, Supplement No. 5E* (A/58/5/Add.5), chap. II, para. 115.

[5] A/58/384, para. 11.

[6] *Official Records of the General Assembly, Sixtieth Session, Supplement No. 5E* (A/60/5/Add.5), chap. II, para. 243.

[7] Ibid., paras. 258-259.

[8] See ST/SGB/2003/7.

[9] *Official Records of the General Assembly, Sixtieth Session, Supplement No. 5E* (A/60/5/Add.5), annex I.

[10] A/60/113.

[11] Ibid., table 1, footnote c, states that the implementation of recommendations by the United Nations Compensation Commission is reviewed in a separate report.

[12] Ibid., paras. 6-7.

[13] Ibid., paras. 74-76.

[14] Ibid., paras. 533-534.

[15] Ibid., para. 502.

[16] Ibid., paras. 106-107.

[17] Ibid., paras. 102-103.

[18] Ibid., paras. 379-381.

[19] Ibid., paras. 451-453.

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General Assembly
Sixtieth session
Agenda items 14, 15, 94 and 108

The situation in the Middle East

Question of Palestine

Establishment of a nuclear-weapon-free zone in the region of the Middle East

Measures to eliminate international terrorism

Security Council
Sixtieth year

Letter dated 17 September 2005 from the Permanent Representative of Bahrain to the United Nations addressed to the Secretary-General

I have the pleasure of enclosing the press statement of the ninety-sixth regular session of the Ministerial Council of the Gulf Cooperation Council, which was held in Jeddah, Saudi Arabia, from 6 to 7 September 2005 (see annex).

I would appreciate it if you would have the present letter issued as a document of the General Assembly under agenda items 14, 15, 94 and 108, and of the Security Council.

(*Signed*) Tawfeeq Ahmed **Almansoor**
Ambassador
Permanent Representative

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Annex to the letter dated 17 September 2005 from the Permanent Representative of Bahrain to the United Nations addressed to the Secretary-General

[Original: Arabic]

Press statement issued at the ninety-sixth regular session of the Ministerial Council of the Gulf Cooperation Council 2 and 3 Sha`ban A.H. 1426 (6 and 7 September A.D. 2005)

The Ministerial Council held its ninety-sixth regular session on Tuesday and Wednesday, 2 and 3 Sha`ban A.H. 1426 (6 and 7 September A.D. 2005), in Jeddah, under the chairmanship of His Excellency Sheikh Mohammed bin Mubarak Al Khalifah, Deputy Prime Minister and Minister for Foreign Affairs of the Kingdom of Bahrain and Chairman of the current session of the Ministerial Council. Attending was His Excellency Abdul Rahman bin Hamad Al-Attiyah, Secretary-General of the Gulf Cooperation Council (GCC).

The Ministerial Council offered its deepest and most heartfelt condolences to the Custodian of the Two Holy Mosques, King Abdullah bin Abd al-Aziz Al Saud of the Kingdom of Saudi Arabia, His Royal Highness Crown Prince Sultan bin Abd al-Aziz, the royal family and our brothers and sisters the Saudi people, on the loss to the GCC countries, the Arab nation and the Islamic Ummah of the Custodian of the Two Holy Mosques, King Fahd Bin Abdul-Aziz Al Saud. The Council prays to the Almighty to grant the deceased His infinite grace and forgiveness, bring him to dwell in paradise and reward him amply for the memorable achievements he had the good fortune to carry out, including the expansion of the Two Holy Places, the construction of houses of God and the propagation of the Holy Book; for his blessed efforts in serving Islam and in elevating the prestige of Muslims; and for his promotion of the causes of right and justice, not only in the region but throughout the Arab world and elsewhere.

The Ministerial Council offered its congratulations and best wishes to King Abdullah bin Abd al-Aziz and Crown Prince Sultan bin Abd al-Aziz on their taking over the reins of government of their country, praying God to assist them and grant them success in pursuing beneficent and constructive work in the Kingdom of Saudi Arabia, bringing prosperity to its people, our brothers and sisters, and continuing the advancement of the noble work of the Cooperation Council towards broader and more comprehensive horizons together with their brothers, the distinguished leaders of the GCC States, may God preserve them. The Council further commended the resoluteness of the Custodian of the Two Holy Mosques in continuing his earnest and tireless work in the service of Islam and in support of Arab and Islamic causes, the establishment of international peace and security and global economic growth.

The Ministerial Council also expressed its sincere good wishes to His Highness Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah, Amir of the State of Kuwait, congratulated him on the success of his surgery and his safe return and beseeched the Almighty God to grant him health and strength and take him under His care in order that he might continue his charitable and beneficent work on behalf of the State of Kuwait and its loyal people.

The Ministerial Council reviewed the achievements realized since its previous session in the area of joint cooperation in various fields and the developments that had taken place in the sphere of regional and international political and security issues.

In the field of economic cooperation, the Ministerial Council considered the reports and minutes of a number of ministerial committees as well as reports on joint economic activity.

In the area of communications, postal service and information technology, the Council considered the recommendations made by the fourteenth meeting of the ministerial committee regarding settlement rates between communications companies in the GCC States, the issuance of a common postage stamp in all the GCC countries on the occasion of the twenty-fifth anniversary of the founding of the Council and coordination in the field of postal security and Internet information security.

With regard to trade, the Council considered the conclusions reached by the trade cooperation committee at its thirty-second meeting regarding the model trademark law (regulations); the committee's approval of the terms of reference of the consumer protection committee; and the recommendations of the third symposium on combating commercial fraud and imitation.

In the area of planning and development, the Council considered the conclusions reached by the ministerial committee at its fourteenth meeting with respect to population policy and the measures and programmes adopted by GCC countries to correct imbalances in demographic structure; efforts towards the issuance of a human development report on the GCC countries; and the conducting of a study on the establishment of a GCC statistical centre.

In the area of transport and communications, the Council considered the conclusions of the ministerial committee at its ninth meeting relating to the study of the establishment of a railway connecting the member States, the elimination of the difficulties facing the communications sector, the study of the establishment of a Gulf navigation aid company and a study to assess transport infrastructure in the member States.

On the question of GCC relations with other countries and international groups, the Ministerial Council considered the results of the second round of negotiations between the GCC States and China and the meetings of experts from the two sides, held in Beijing on 20 and 21 June 2005, at which the discussions revolved around issues related to the agreement on the establishment of a free trade zone between them. The Council also considered the results of meetings of experts from GCC States and the European Union held at the headquarters of the General Secretariat on 26 and 27 July 2005 within the framework of the negotiations on free trade between the two sides. The Ministerial Council expressed its satisfaction over the results of the meetings.

In the area of human and environmental affairs, the Ministerial Council took cognizance of the note of the General Secretariat on follow-up to the steps taken towards completing the implementation of decisions and guidelines that emerged from the twenty-fifth session of the Supreme Council. These related to the field of education; the approval of the ministers of education, expressed at their meeting held in Kuwait in February 2005, of the implementation of a number of programmes

contained in the document on the overall development of education; the conclusions reached by the ministers of higher education at their eleventh meeting, held at the General Secretariat in March 2005, on programmes relating to higher education; and the working group formed by the General Secretariat to prepare an assessment report on the progress of work in implementing the decisions taken by the Supreme Council.

In the field of protection of human and environmental health from the effects of depletion of the ozone layer, by way of support to the efforts being made at the national, regional and international levels within the framework of the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, the Council recommended that, in the GCC countries, the system of uniform guidelines for the control of substances that deplete the ozone layer should be submitted to the Supreme Council at its next session.

In the military sphere, the Ministerial Council was informed of progress in military cooperation during the preceding period. It expressed satisfaction with the steps carried out and emphasized the importance of completing the various related procedures and arrangements.

In the sphere of security coordination and cooperation between member States, the Council considered the measures taken by those States and expressed its satisfaction concerning them.

The Ministerial Council expressed its sorrow and its censure regarding the terrorist acts against peace-loving citizens that had occurred in a number of countries. It emphasized that such criminal acts only added to the determination of the world to combat terrorism and consolidate international cooperation against it and to eliminate the terrorists and those who were behind them. The Council reiterated the need for all States to join forces in order to fight terrorism in all its forms.

The Council emphasized once again that it welcomed and supported the Riyadh Declaration and the recommendations that had issued from the International Counter-Terrorism Conference. One of the most important of those recommendations was the proposal by the Custodian of the Two Holy Mosques, King Abdullah bin Abd al-Aziz Al Saud, for the establishment of an international counter-terrorism centre, which would doubtless make a vital and active contribution to international counter-terrorism efforts. Hence the Council's support for efforts aimed at establishing a task force under United Nations auspices to study the recommendations concerning the centre that were contained in the proposed declaration.

Regarding the work of the Advisory Board of the Supreme Council of the Gulf Cooperation Council, the Ministerial Council considered the views of the Advisory Board concerning the evaluation of the Cooperation Council's work over the past 23 years as well as its views on terrorism.

In the political sphere, the Ministerial Council extended its congratulations to His Excellency Mr. Mahmoud Ahmadinejad, President of Iran, on his victory in the Iranian presidential elections. It expressed the hope that the coming period would be marked by positive developments in the relations between the Council and Iran, based on good-neighbourliness, shared interests and non-interference in internal

affairs, and that the Islamic Republic of Iran would take concrete confidence-building steps towards the establishment of security, stability and prosperity for the peoples of the region.

The Ministerial Council, discussing a number of important issues raised at both the regional and international levels, reasserted its well-known views and staunch positions on them, namely:

- Its support for the sovereignty of the United Arab Emirates over its three islands, the Greater Tunb, the Lesser Tunb and Abu Musa, and over the territorial waters, airspace, continental shelf and exclusive economic zone of those islands, as constituting an integral part of the United Arab Emirates;
- Its continued regret over the failure of contacts with the Islamic Republic of Iran to produce any positive results towards resolving the issue of the three islands, which would contribute to strengthening security and stability in the region;
- The consideration of all peaceful means towards the restoration of the right of the United Arab Emirates over its three islands;
- Its invitation to the Islamic Republic of Iran to respond to the efforts of the United Arab Emirates and the international community to resolve the issue through direct negotiations or recourse to the International Court of Justice.

With regard to Iraq, the Council reviewed the new developments taking place there, in particular the further deterioration of the security and humanitarian situation owing to increasing violence and the thwarting of efforts to further the political process aimed at establishing constitutional foundations approved by all segments of the Iraqi people for a new, united Iraq enjoying security, stability and prosperity for all Iraqi brothers and sisters.

Here again the Ministerial Council reaffirmed its known and well-established positions in this regard, the most important of which are as follows:

- The condemnation of all criminal terrorist acts that target civilians and the kidnapping of innocent persons, including ambassadors and other members of the diplomatic corps in Iraq and members of humanitarian and religious institutions;
- Support for and endorsement of all efforts towards national reconciliation and the participation of all segments of the Iraqi people in the political process, so as to avoid the negative repercussions of a failure of those efforts on Iraq's unity, independence and sovereignty;
- Its continued expectation that the Iraqi people will join hands in order to achieve the security, stability and well-being to which they aspire, reaffirming the unity of Iraqi soil and reasserting their Iraqi and Islamic identity, so as to become once again effective members of the Arab world and the international community;
- The expression of the hope that Iraq will regain its security, stability and prosperity and resume its positive, active role in the Gulf and the Arab world in general as well as internationally, abiding by the resolutions constituting international legitimacy and living in peace and security with its neighbours and the rest of the world;

- Renewed condemnation of the mass killings of Iraqi nationals and the killing of Kuwaiti prisoners and detainees and nationals of other States, committed by the former Iraqi regime, as well as of the flagrant violations of human rights, Islamic and other fundamental moral principles and Arab values that continue to come to light as mass graves are uncovered;

- Encouragement of the United Nations, in collaboration with the Iraqi Government and other authorities concerned, to redouble efforts to arrive at a final solution for the return of Kuwaiti property, the Kuwaiti national archives and other documents seized by the former Iraqi regime during its occupation of Kuwait.

The Ministerial Council reviewed recent developments in the Palestinian territories and the Middle East peace process and emphasized the following points:

- The Ministerial Council hoped that the evacuation of the Israeli settlements in the Gaza Strip would be followed by steps towards total withdrawal from all occupied Palestinian lands so as to enable the Palestinian people to build an independent State with Al-Quds al-Sharif as its capital;

- In that connection, the Council reaffirmed the commitment of the GCC countries to the peace initiative proposed by the Custodian of the Two Holy Mosques, King Abdullah bin Abd al-Aziz, at the Arab Summit held in Beirut in 2002, and adopted by the Summit as the Arab peace initiative for the region. The initiative, which is based on the resolutions establishing international legitimacy, is considered the correct framework for achieving a just and comprehensive peace and resolving the Palestinian question;

- The Ministerial Council cautioned against the threats issued by extremist Jewish groups calling for the storming of the Al-Aqsa Mosque and emphasized that such threats could only inflame Muslim sensibilities, as they related to violations of their holy places;

- It emphasized further that a just and comprehensive peace in the Middle East would be achieved only with the establishment of an independent Palestinian State having Jerusalem as its capital and Israel's withdrawal from the occupied Syrian Golan to the line of 4 June 1967 and from all Arab lands in southern Lebanon;

- The Council appeals to the United States of America, the Russian Federation, the States of the European Union, the United Nations and the international community as a whole to continue their efforts to activate the road map and the Arab initiative in order to achieve a just and comprehensive peace in the Middle East;

- It calls once again on the international community to take action to turn the Middle East into a region free of all weapons of mass destruction, including the Gulf region, and to induce Israel to accede to the Treaty on the Non-Proliferation of Nuclear Weapons and subject all of its nuclear facilities to the international inspections regime of the International Atomic Energy Agency as a basis for any future security arrangements;

- Welcoming the new Lebanese Government, it reaffirmed the desire of the GCC countries to support the political and economic stability and security of their brothers and sisters, the Lebanese people. The Council expressed its hope

that all national forces would come to an accord that would maintain Lebanon's unity, cohesion and well-being and condemned Israel's repeated threats and acts of aggression against the country's sovereignty and independence.

The Ministerial Council expressed its sadness and its sincere condolences to its brothers and sisters, the people of Iraq, over the terrible calamity that had taken the lives of hundreds of Iraqis when the Al-A'immah Bridge collapsed, and prayed God Almighty to protect them with His grace and grant their families and loved ones solace and fortitude.

The Council also expressed its deep sorrow over what had befallen the city of New Orleans in the United States of America as a result of hurricane Katrina, which had caused losses of life and property. The Council expressed its solidarity with the United States of America stemming from the feelings of friendship that tie the GCC countries to the United States.

Issued in Jeddah on 3 Sha'ban A.H. 1426 (7 September A.D. 2005)